

SS SB 727 -- LOW-WAGE TRAP ELIMINATION ACT

SPONSOR: Schaaf (Silvey)

COMMITTEE ACTION: Voted "do pass" by the Committee on Children and Families by a vote of 12 to 0.

This substitute establishes the Low-Wage Trap Elimination Act which requires the Children's Division within the Department of Social Services to implement a child care subsidy pilot program in at least one rural county and at least one urban child care center that serves at least 300 families by January 1, 2012, to be known as the Hand-up Program.

The program will allow willing recipients to receive child care subsidy benefits while sharing in the cost of the benefits through a premium payment. The program must be voluntary and must be designed to make sure that a participating recipient will not be faced with a sudden loss of child care benefits should the recipient's income rise above the maximum allowable monthly income for persons to fully receive child care benefits as of August 28, 2012. If this occurs, the recipient must be permitted to continue to receive benefits if the recipient pays a premium to be applied only to that portion of the recipient's income above the maximum allowable monthly income for the receipt of full child care benefits.

The premium must be 44% of the recipient's excess adjusted gross income over the maximum allowable monthly income for the applicable family size for the receipt of child care benefits. The premium must be paid on a monthly basis by the participating recipient. The division must develop a payroll deduction program in conjunction with the Department of Revenue and must promulgate rules for the payment of premiums owed under the program. A participating recipient who fails to pay the premium owed must be removed permanently from the program after 60 days of non-payment.

Subject to the receipt of federal waivers if necessary, a participating recipient must be eligible to receive child care service benefits at income levels all the way up to the level at which a person's premium equals the value of the child care services received. Only a recipient who currently receives full child care benefits as of joining the program and who had been receiving full benefits continuously since on or before August 28, 2012, and agrees to the terms of the program during a 90-day sign-up period will be eligible to participate in the program. A participant must be allowed to opt out of the program at any time, but the person cannot be allowed to participate in the program a second time.

The division must track the number of participants and information on premiums and taxes paid and issue an annual report to the General Assembly by January 1, 2014, and on every January 1 thereafter detailing the effectiveness of the pilot program in encouraging recipients to increase their income levels above the income maximum applicable to each recipient and other specified information.

The Hand-up Program Premium Fund is created consisting of the premiums collected under the act to pay the costs of administering the program and any required payments to the federal government and the state General Revenue Fund. Child care benefits under the program must continue to be paid under the existing state child care assistance program.

The act contains a nonseverability clause and if any of the specified powers vested with the General Assembly under Chapter 536 are held unconstitutional, rulemaking authority and any rule proposed or adopted After August 28, 2012, must be invalid and void.

The provisions of the substitute regarding the Hand-up Program expire three years after the effective date.

FISCAL NOTE: Estimated Net Cost on General Revenue Fund of \$52,272 to \$62,998 in FY 2013, \$48,102 to \$69,555 in FY 2014, and \$48,825 to \$70,278 in FY 2015. No impact on Other State Funds in FY 2013, FY 2014, and FY 2015.

PROPOSERS: Supporters say that the bill creates a pilot program to examine if changing the way childcare subsidy eligibility is determined, recipients can eventually earn more money and work themselves out of poverty. There are a few hundred families in the Kansas City area that are willing to participate in this pilot program.

Testifying for the bill were Senator Schaaf; Operation Breakthrough; Tina Bernskoetter, Missouri Head Start Association; Catholic Charities Archdiocese of St. Louis; and Greater Kansas City Chamber of Commerce.

OPPOSERS: There was no opposition voiced to the committee.